

In the Matter of the Request of Peoples
Natural Gas Company, Division of UtiliCorp
United, Inc., to Combine Midwestern Gas
Transmission Company Supplied Rate Areas

ISSUE DATE: AUGUST 27, 1987

DOCKET NO. G-011/MR-87-330

FINDINGS OF FACT, CONCLUSIONS OF
LAW AND ORDER

PROCEDURAL HISTORY

On April 10, 1987, Peoples Natural Gas Company, a division of UtiliCorp United Inc., (Peoples or the Company) requested approval from the Minnesota Public Utilities Commission (the Commission) to combine the Midwestern Gas Transmission Company (Midwestern) supplied rate area SR-2 with the CRL-2 rate area, retroactive to April 10, 1987.

On August 3, 1987, the Minnesota Department of Public Service (the DPS) submitted its Report of Investigation and Recommendation to the Commission. The DPS recommended that the Commission approve Peoples' request with a modification to require Peoples to refund any over-recovery of gas costs during the period April 1 to April 10, 1987.

FINDINGS AND CONCLUSIONS

The first issue for the Commission to decide is whether to approve Peoples' proposed combination of two Midwestern supplied rate areas.

Peoples requested Commission approval of its combination of two Midwestern supplied rate areas, SR-2 and CRL-2. SR-2 and CRL-2 denote entitlement services offered by Midwestern. Midwestern established specific geographic zones in which to offer these services.

The Company stated that it made this request in response to two recent developments. First, in the Company's most recent general rate case, Docket No. G-011/GR-86-144, the GS-4 and GS-5 classes were consolidated. Second, Peoples changed its contract with Midwestern, effective April 1, 1987, consolidating its gas purchases for these two classes.

Because the automatic adjustment rules (Minn. Rules, parts 7825.2390 to 7825.3000) do not cover a change in the level of contract demand, the Commission concludes that such a change cannot be approved as part of a true-up filing or part of a PGA filing. The Commission believes that the appropriate procedures to use if Peoples wishes to change the level of contract demand that it charges to its customers are those of a miscellaneous rate filing. The filing should describe the change and provide documentation supporting the change requested. The filing must be accompanied by a proposed PGA filing using the revised contract demand levels. The PGA filing may be implemented upon Commission approval of the miscellaneous petition.

The Commission finds that the Company has complied with the procedures described above, except that Peoples has already implemented the proposed change and is seeking retroactive approval. Peoples' failure to request prior approval violated Minn. Stat. Section 216B.16, subd. 1 (1986), which requires 60 days prior notice to the Commission before a public utility may change its rates, unless the Commission otherwise orders. Peoples did not request an exception to the sixty days notice requirement from the Commission prior to proposing the rate change.

Peoples acknowledged its violation, but stated that it did not give prior notice because it viewed the matter as a PGA adjustment rather than a rate change under Minn. Stat. Section 216B.16 (1986). By viewing the matter as a PGA adjustment, the Company was able to pass on the benefit of approximately \$600 in lower costs to its customers. If the Company had waited for 60 days prior notice to the Commission, it would not have been required to pass on that benefit.

The Commission recognizes the Company's concerns. However, Peoples must comply with the law and with prior Commission Orders. Therefore, in the future, the Commission urges the Company to contact representatives of the Commission or the DPS to consult on the proper procedure to follow whenever an unusual situation arises.

The Commission finds that Peoples has negotiated a new contract with Midwestern for gas that is provided to the Company's General Service (GS) customers. This new contract eliminates gas previously purchased for the GS-5 class under Midwestern's SR-2 rate. Instead, gas purchased for the GS-5 class will be purchased under Midwestern's CRL-2 rate. This is the same Midwestern rate schedule that Peoples has been using to purchase gas for the GS-4 class. These two classes have been combined as a result of the Commission's Findings of Fact, Conclusions of Law and Order, In the Matter of the Petition of Peoples Natural Gas Company, Division of UtiliCorp United Inc., for Authority to Increase its Rates for Gas Service in Minnesota, Docket No. G-011/GR-86-144 (January 16, 1987). Therefore, the Commission concludes that is reasonable for Peoples to purchase gas for both classes under the same rate schedule.

Prior to submitting the instant request, Peoples submitted PGA filings implementing the proposed

Midwestern prior to and after the contract change, the Commission finds that the rate schedule change requested by Peoples did not result in a change in the overall level of contract demand for these two classes.

The Commission has also examined the impact the proposed change would have on the rates for the affected customers. The Commission finds that the combined demand volume and rate schedule changes proposed by Peoples result in lower rates for both General Service customer classes. Rates for the GS-4 class are lower, even though their rates are based on the same rate schedule, because the higher combined demand level is more than offset by an increase in the three-year normalized average consumption for the combined classes. Rates for the GS-5 class are lower because the overall charges are less in the CRL-2 schedule than in the SR-2 schedule.

In summary, the Commission finds that Peoples' requested rate schedule is consistent with the class consolidation approved by the Commission in the Company's most recent general rate case in Docket No. G-011/GR-86-144. Peoples' request also benefits the ratepayers because the Company's proposed change lowers the rates for both General Service classes. For these reasons, the Commission concludes that it will grant the Company's request.

The final issues for the Commission to decide are whether to allow the approved rates to be implemented retroactively to April 10, 1987, and whether to require an immediate refund of any over-recovery of gas costs from April 1, 1987 to April 10, 1987.

The DPS recommended in its report that the approved rates be allowed to be effective on April 10, 1987, as requested by the Company. The DPS also stated that although the new rates were implemented by Midwestern to Peoples on April 1, 1987, Peoples did not make the rates available to its customers until April 10, 1987. Therefore, the DPS further recommended that Peoples be required to refund any over-recovery of gas costs due to the nine day delay in implementing these rates to Peoples' customers.

The Commission finds that retroactive approval will allow the lower rates to flow to customers close to the time that the new rates were being charged to Peoples. However, the Company stated that the amount of over-recovery of gas costs during the nine day delay in implementation was approximately \$20. This amount will be refunded to Peoples' customers through the PGA tracker system. The Commission finds that the benefit to Peoples' customers of receiving an immediate refund is outweighed by the administrative costs of refunding approximately \$20 at this time. Therefore, the Commission concludes that it will allow the approved rates to become effective on April 10, 1987, and will not require an immediate refund. Rather, the over-recovery of gas costs for April 1, 1987 to April 10, 1987 will be returned to ratepayers through the PGA tracker system.

approved effective as of April 10, 1987.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)